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PUBLIC REVENUE FROM OTHER THAN TAX SOURCES AND THE STATUS OF PUBLIC-OWNED ENTERPRISES IN GERMANY

Description

This paper contains information on the non-tax revenue of the Reich and of German states and municipalities before the war as well as some indications as to the present situation. One of the main sources of such revenue is public enterprise; the legal forms and main fields of public enterprise are described, and detailed information is given as to public enterprise in corporate form.

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SUMMARY

1. Non-tax revenue of the Reich consists of administrative receipts, profits from enterprises and other property, seigniorage, surplus of the unemployment insurance fund and of extraordinary receipts such as sale of Reich property, repayment of Reich advances, etc. Since 1938, new domestic and foreign sources of revenue have been tapped yielding large amounts. Only summary estimates as to this revenue are available.

2. Non-tax revenue of states and municipalities consists of administrative receipts and net receipts from property, further credits and loans, receipts for sold property, and similar extraordinary revenue. In 1936-1937, regular non-tax revenue covered 22 percent of the states' fiscal needs, 27 percent of municipal fiscal needs, and 31 percent of the Hansa towns' fiscal needs.

3. Restrictions on economic activities of government bodies are only of recent date and apply solely to municipalities. Productive enterprise is conducted in various forms, either as an integral part of the administrative machinery, as an administrative unit, as a legal entity of public law, or in one of the forms created by private corporate law. Mixed enterprises are those in which public and private owners cooperate.

4. Reich-owned enterprises include the Reichsbahn and Reichspost, numerous smaller transportation enterprises, financial, industrial, and utility companies, many of which are controlled through the VIAG and the Göring combines. State-owned enterprises include extensive land property, mining, industrial, transportation, and utility enterprises, and banks. The VEBAG combine controls a large part of the Prussian state property. Municipal enterprises include land property, transportation, and utility enterprises,

many of which are of the mixed type.

5. Public-owned corporations (without mixed enterprises) had in 1936 a total capital of RM 18,680 million of which Reichsbahn and Reichspost accounted for RM 15,190 million. Their debts totalled RM 9,973 million, one-third of which had been advanced from public funds.

PUBLIC REVENUE FROM OTHER THAN TAX SOURCES AND THE STATUS OF PUBLIC-OWNED ENTERPRISES IN GERMANY

I. THE AVAILABLE INFORMATION

The budget estimates for 1933-34 were the last complete report on Reich finances published by the German Government. Once the Nazi administration was in power, it discontinued reporting Reich expenditures and receipts other than from taxes and loans. For the German states and municipalities, full budget figures up to and including 1936-1937 are available. Over-all information about public-owned corporations is fully available as of March 1936, partly (Reich and states) as of March 1937. The amount of Reich revenue from this source is not known beyond the fiscal year 1932-1933.

Since 1937, profound changes have occurred in the composition and the volume of non-tax Reich receipts. Many new firms appeared in the list of Reich-owned enterprises. In regard to revenues and property of the states and municipalities, the changes which have taken place were of less profound impact. These wartime developments are reported or at least indicated so far as information is available.

II. NON-TAX REVENUE OF THE REICH

Before the war, revenue of the Reich from other than tax sources or borrowings consisted of:

a. Administrative receipts (Verwaltungseinnahmen), that is, patent, statistical, and similar fees, administrative fines, etc., totalling RM 137 million in 1932-1933.

b. Profits from Reich-owned enterprises and other property, which totalled RM 317 million in 1932-1933, based entirely on the profits of the Reichsbahn and Reichspost.

c. Seigniorage, which yielded RM 106 million in 1932-1933.

d. Surplus of the unemployment insurance fund (averaging RM 344 million yearly during the period 1934-1937).

e. Repayment of advances made by the Reich to public or

private debtors, sale of Reich property, etc.

Since 1938 all of above sources have been yielding much higher revenue than ever before. Administrative receipts were increased greatly by such new contributions as the fine collected from German Jews after the von Rath murder (1938). Profits of Reich-owned enterprises also increased considerably; the Reichsbahn alone contributed in 1943 to the Reich RM 499 million (in addition to the transportation tax of RM 696 million). A number of new sources of revenue were tapped, of which the most important was the war contribution assessed upon German municipalities and yielding at present well over RM 2 billion yearly.

The total of non-tax revenue from domestic sources was estimated at RM 3 to 4 billion for 1938-1939. It increased to an estimated RM 10 billion in 1942-1943. The Reich also collected war contributions from occupied countries (apart from booty) under various titles. The total of these payments increased year by year to reach an estimated RM 16 billion in 1943. According to official announcement, total revenue of the Reich from other than tax sources amounted to RM 26 billion in 1942-1943.

III. NON-TAX REVENUE OF STATES AND MUNICIPALITIES

The budgets of German states and municipalities (including regional associations) are set up according to the following scheme. From the total expenditure of each branch of the administration (Ausgaben or Finanzbedarf) is deducted the amount of specific contributions which are received for purposes of this branch from the Reich or from other government bodies. The figure arrived at is called net fiscal needs (reiner Finanzbedarf). It is calculated for each branch separately, and contrasted with the branch's administrative receipts, credits contracted for branch purposes, reserve funds dissolved, repayments of advances received, etc. The balance which is not covered from these

special receipts of the branch is called net requirement (Zuschussbedarf). The net requirements of all branches added up are the net requirement of the state or municipality covered from general funds (allgemeine Deckungs mittel). General revenues of a public body or authority consist of (a) taxes collected directly or amounts received from the Reich as participation in Reich taxes, etc.; (b) net receipts from productive property (Erwerbsvermögen) owned by the state or municipality; (c) contributions and subsidies, advances, etc., received under various titles from the Reich or other government bodies (unless for purposes of a special branch of the administration).

Productive property constitutes only one part of the property of public bodies, namely the part devoted to economic activities. The other part is property devoted to the fulfillment of the duties of the government body in connection with public health, social welfare, education, etc., and is called institutional property (Anstaltsvermögen). Receipts from the latter form part of the administrative revenue, receipts from the former are a revenue group of its own. Public institutions which operate property of the second type (e.g., hospitals) are not considered public enterprises because there is no intention of profitable operation.

State and municipal revenues other than from taxes or contributions of the Reich and other bodies appear therefore in two categories:

a. Administrative revenues of the various branches of the state or municipal administration, that is fees and charges collected from the public in connection with administrative acts or for the use of facilities controlled by the administration; rent and interest payments received.

b. Net receipts from public property, especially real property, public enterprises, participations and invested funds.

Technically, non-tax revenue includes also credits and loans, dissolved reserve funds, receipts from sales of property and similar receipts of non-recurrent nature; such revenue is not included in the figures used for computation of the tables in the present study.

The table on following page shows the administrative revenue of the German states and municipalities and Hansa towns in 1936-1937, compared with the net fiscal needs, by branches of administration.

BUDGET YEAR 1936-1937

Branch	States		Municipalities		Hansa towns	
	Net fiscal needs	Administrative revenues	Net fiscal needs	Administrative revenues	Net fiscal needs	Administrative revenues
	(in million RM)					
General administration	152.3	25.8	554.9	47.5	7.6	1.4
Financial	105.6	11.3	101.0	8.3	9.8	0.4
Police	338.1	22.2	247.3	27.6	35.0	3.7
Education	1,319.3	146.3	1,026.6	198.3	78.8	11.3
Public welfare	137.2	48.6	1,833.2	415.9	118.1	20.8
Housing	29.0	2.5	251.1	66.2	4.3	0.3
Economic administration[a]	278.7	34.6	1,055.4	172.5	48.6	21.9
Public services	0.0	0.0	719.1	433.1	33.3	18.5
Debt service[b]	226.1	11.3	160.8	9.8	56.6	1.4
Other items	15.2	14.0	0.0	0.0	1.5	0.2
Total	2,601.5	316.6	5,949.4	1,379.2	393.6	79.9

a. Includes transportation (roads, etc.).
b. In the state budgets, the full debt service is included in this category, whereas in municipal budgets the cost of such part of the debt as was contracted for specific branches is charged in the budget of these branches.

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The administrative branch which covered the highest percentage of expenses (net fiscal needs) from direct receipts were "public services" supplied by municipalities, that is fire fighting, street lighting and cleaning, sewage disposal, public markets, etc. Next follow the branches of public welfare administration (especially hospitals and similar institutions), housing, and education (especially higher schooling).

Net revenue from property of German public bodies in 1936-1937 is shown in the following table:

	States	Municipalities	Hansa towns
		(in million RM)	
A. Enterprises:			
Agricultural domains	15.8	def. 1.7	0.1
Forests	78.4	37.9	0.1
Electric power	5.4	165.7	11.2
Gas	0.0	65.9	8.5
Water	0.0	75.8	3.1
Combined utilities	0.0	71.3	-
Transportation	1.4	def.46.0	def.4.4
Credit institutions	7.2	def. 0.6	0.6
Mints	3.6	-	0.2
Lotteries	22.1	-	1.4
Other	1.3	def.15.2	-
All enterprises	135.2	353.2	20.8
B. Other property:			
Real property	12.0	def.31.0	16.5
Capital investments	102.9	def.68.9	8.5
Grand total	250.1	253.3	45.8

(def. - deficit)

The following table shows the percentage of fiscal needs which was covered from the various sources of non-tax revenue in the fiscal year 1936-1937:

	States	Municipalities	Hansa towns
		(percent of fiscal needs)	
Administrative receipts	12	23	20
Net revenue from property	10	4	11

Little information is available as to the development of state and municipal non-tax revenue during the war. Due to the war boom, most of the sources should bring higher revenue. Moreover, the shortage of labor and material forced the public

enterprises to postpone regular repair work and reinvestment so that their books show a nominally higher surplus than before. Evidently, these are not real profits because of the deterioration of the equipment. The states and municipalities are at present in very good financial situation which enables them to pay a high war contribution to the Reich, although their tax revenue has been seriously curtailed by changes in the tax law.

IV. FORMS OF PUBLIC ENTERPRISE

German government bodies are restricted very little in their economic activities. To operate postal services or a mint is the privilege of the Reich or certain states, but otherwise restrictions on the foundation of enterprises apply only to municipalities. The Municipal Law of 1935 prohibited the foundation of banks by municipalities. The acquisition of property was restricted to such items as were needed for the fulfillment of municipal tasks. Municipal economic activities in general were subject to certain conditions, namely: (a) the enterprise has to serve public needs; (b) its size has to be in proper relation to the capabilities of the municipality and the prospective needs; (c) no public enterprise may be founded if the needs can be better served in another form, especially by private business. By a decree of 1931 obligatory audit of books was prescribed for all publicly owned enterprises. The over-all control and restrictions of economic activities imposed by the Nazis on the German economy apply of course also to public enterprise.

An enterprise owned by the Reich or another public body may be operated in one of the following forms:

(1) As an integral part of the administrative machinery of the government body (so-called Regiebetrieb);

(2) As part of the administrative organization, but constituting an administrative unit (verselbständigter Regiebetrieb or autonomer Wirtschaftskörper);

(3) As a corporation (legal entity) created by public law;

(4) As one of the forms created by private corporate law (A.G., G.m.b.H., etc.)

Sometimes an operating company is formed to lease the property from the government body which retains ownership. Ownership of a public enterprise in corporate form is often shared by several public bodies. If private owners participate, the corporation is called a mixed enterprise (gemischtwirtschaftliche Unternehmung). A public enterprise may hold participations in other public or mixed enterprises. Some of them even form large combines; many are parties in cartel agreements.

Changes in the legal form of public enterprises are not unusual. In 1931, for example, the savings banks were separated from the municipalities and transformed into corporations of public law. In 1937, the Reichsbahn and the Reichspost were reincorporated into the Reich administration as units with an administrative machinery of their own, whereas from 1924 until 1937 they had been corporations of public law.

Most public enterprises enjoy some kind of tax privileges. Since 1935, however, public corporations engaged in the utility field are subject to the regular corporation tax. The municipalities which own shares of a corporation receive a refund for a corresponding part of the tax paid by this enterprise.

V. MAIN FIELDS OF PUBLIC ENTERPRISE

Receipts from public property as recorded in the budgets of Reich, states, and municipalities include receipts from directly operated enterprises (called Betriebe) as well as from ownership in corporations (called Beteiligungen). Regular statistics used to be published before the war showing the value of public capital invested in public enterprises in corporate form, but no figures are available which would show the total value of the directly operated enterprises.

In the following discussion, some indications are given as to the economic activities of the Reich, states, and municipalities by branches of occupation, but without regard to the legal form of the enterprise. Detailed information as to the public-owned corporations is contained in Chapter VI.

A. Reich-Owned Enterprises

The main interests of the Reich are in the field of transportation. The Reichsbahn is a directly operated Reich enterprise with separated property (nominal capital RM 13,000 million, in 1936). The Reichspost is organized in a similar way (nominal capital RM 2,300 million). Reich-owned waterways had an estimated value of RM 1,600 million; in addition the Reich owns shares in two waterway concerns, the Neckar A.G. and the Rhein-Main-Donau A.G. The Reichsautobahnen, a number of bus lines, airport companies, and the Lufthansa A.G. are controlled by the Reich with other public bodies, etc., participating. Most of the industrial and utility participations of the Reich are vested in the VIAG combine and the Göring combine.[1] VIAG also controls some of the banking participations of the Reich. In addition

1. See R & A Report No. 1910, A Hundred Major German Industrial Corporations, pp. 31, 102.

numerous industrial and utility enterprises are operated directly by the Reich. Since 1938, industrial participations of the Reich have been greatly increased as shown by the expansion of the Göring combine.

B. State-Owned Enterprises

The German states own extensive domains and forests. In 1933, 5.2 million hectares, that is one-eighth of all agricultural and forest land, were state-owned. Prussia owned 2.8 million hectares, of which 2.4 million hectares were forests valued at RM 4,500 million; Bavaria owned 1 million hectares of land; and so on. Most of this property is directly administered and very profitable.

Traditional state enterprises are the mints and lotteries which are state monopolies. In the transportation field, the states own bus lines, local railroad lines, steamship lines, harbors, etc., most of which are not profitable. The same situation applies to the state-owned spas and mineral water sources. The states own large properties in the field of mining and industrial production, the greater part of which is operated in corporate form. Electric power plants are also mostly operated by corporations. The shares of these are held by the states, often with other public and private owners participating. In Prussia most state-owned electric power works and industrial plants are vested in the VEBAG combine.[1] State-owned banking is also very important.[2]

C. Municipal Enterprises

German municipalities own 3 million hectares of agricultural and forest lands, of which 2 million hectares are timberland. The municipalities are very active in the utility field. They own 85 percent of all the gas works

1. Ibid., p. 100.
2. See CA Handbook M365-5; Germany -- Money and Banking.

outright and 10 percent as mixed enterprises. Of electric power plants, 49 percent (with 55 percent of the total power production) are owned by municipalities, states, and the Reich; 13 percent of the power plants (with 34 percent of the production) are owned by mixed enterprises[1] and 38 percent (with 11 percent of the production) by private companies. Of other municipal enterprises there are waterworks, streetcar and bus transport enterprises (some directly operated, some in corporate form), harbor installations, airports. In the banking field, the savings banks operate under municipal guarantee but are organized as corporations of public law.

The list of state and municipal enterprises has probably not changed substantially since 1937. During the war their financial situation has been satisfactory but a great part of current and extraordinary repairs (due to air raids) and replacement needs has been deferred. In the post-war period large capital investments will become necessary to return public enterprises to a remunerative and efficient shape.

VI. PUBLIC ENTERPRISE IN CORPORATE FORM

On 31 March 1936, 1,085 German corporations with RM 18,680 million total capital were fully or predominantly owned by the Reich, states, or municipalities. The following table shows legal form and size of the public-owned corporations (Öffentliche Unternehmungen):[2]

1. For the biggest combine, RWE, see R & A Report No. 1910, A Hundred Major German Industrial Corporations, p. 89.
2. Credit and insurance institutions are not included in these or the other figures in this chapter, nor are the mixed corporations in which public interest was below 75 percent of the total capital.

Legal form	Number of corporations	Total capital (in million RM)	Average capital
A.G. (joint stock corporations)	325	2,580	7.9
G.m.b.H. (limited liability companies)	698	630	0.9
Other corporations of private law	47	60	1.3
Reichsbahn	1	13,000	--
Reichspost	1	2,190	--
Other corporations of public law	13	220	17.2

According to an older source, about RM 4 billion of stock in German corporations, 20 percent of the total capital, was in public hands in 1930. This includes participations in mixed enterprises.

The debts of the 1,085 public-owned corporations totalled RM 9,973 million on 31 March 1936. Reich, states, municipalities, and other public corporations (banks) had advanced RM 3,510 million and RM 6,463 million had been borrowed on the credit market, by issue of bonds (RM 1,789 million), or in form of mortgage and other loans. The amount of foreign loans in various forms was RM 580 million. Practically the whole debt had been contracted since 1924. The average interest rate was 4.27 percent. The highest indebtedness in relation to capital funds was shown by motor roads, agricultural enterprises, building enterprises, waterworks, machinery shops. A low indebtedness was recorded for the Reichsbahn and Reichspost, for mines and holding companies.

One out of five public enterprises formed part of a combine. As a rule the public body owned only the shares of the holding company which in turn controlled the operating subsidiaries by ownership of shares. The statistics of 1936 record six Reich- and state-owned combines (most important: VIAG, VEBAG) with 110 subsidiaries (not including mixed

corporations) and 13 municipal combines with 66 subsidiaries. The holding companies had a capital of RM 714 million and controlled corporations with total capital of RM 944 million. These two figures may be compared with RM 1,832 million capital of corporations not attached to a combine (outside of the Reichsbahn and Reichspost) to show the large degree combine organization had attained in public enterprise.

* * *

The following table shows the number and capital of corporations in public hands grouped by branch of enterprise. A fairly complete list giving names and capital of the individual corporations is contained in CA Handbook M356-2: Germany -- Government and Administration. The list there includes the mixed enterprises and even many of those usually classified as private enterprises because of the small public participation, whereas the following table includes only corporations in which public interest reached at least 75 percent.

Number and capital of corporations in public ownership, grouped according to field of enterprise:

	Fully or predominantly owned by					
	Reich		States		Municipalities	
	No. of corporations	Total capital (mill.RM)	No. of corporations	Total capital (mill.RM)	No. of corporations	Total capital (mill. RM)
	1937		1937		1936	
Utilities:						
Electro works	9	146	22	429	70	275
Gas, water, and combined	-	-	11	37	91	269
Transportation:						
Railroads	3	13,001	10	18	116	186
Tramways and buses	-	-	7	7	64	372
Ports and warehouses	-	-	10	110	14	8
Air transport, etc.	1	2	4	3	35	25
Post and others	4	2,249	9	15	10	50
Agriculture and forest:	32	93	6	2	8	1
Industries and commerce:						
Mines and steel works	9	17	26	283	27	20
Chemical plants	1	20	2	11	0	0
Water economy	2	53	1	26	2	7
Spas, hotels, food industry	2	-	9	6	29	9
Trading companies	2	-	15	12	7	1
Machinery, ship-building, etc.	13	71	5	4	3	1
Other branches	6	1	9	5	15	10
Holding companies	3	181	5	165	8	186
Building and settlement financing	28	45	18	168	239	125
Motor roads and other	9	53	9	2	62	8
Total	124	15,932	178	1,303	800	1,553

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